

Statement by Senate Budget Committee Chairman Kent Conrad (D-ND)
on the release of CBO's August Update
August 28, 2001

Having had the opportunity to sleep on these CBO numbers, I wanted to offer you my thoughts today, not so much on the political ramifications – the winners and losers – but on the economic impact – the long-term damages caused by the President's budget and tax plans and why it matters.

These new numbers tell us that, when we add in the President's request for a significant increase in defense and other budget resolution policies that have not yet been enacted, the President has us on a course to invade the Medicare and Social Security trust funds by more than \$500 billion over an 11-year period.

And this is before you factor in any new money for education, extending expiring tax provisions, fixing the Alternative Minimum Tax problem created by the tax bill, natural disasters, or additional tax cuts that the President is still advocating. These additional costs will only worsen the President's reliance on Medicare and Social Security funds to pay for other government services.

The raiding of the Social Security and Medicare trust funds means these monies will not be available to pay down our national debt. In fact, by the end of 2006, the President's tax cut and the current economic slowdown will leave us with one trillion dollars more in debt. Let me repeat, in 2006, CBO is telling us we'll have \$2.3 trillion in outstanding public debt, instead of the \$1.3 trillion it forecasted just four months ago.

This should be a wake up call to the nation. We have less than ten years to prepare for the retirement of the first baby boomers. As the Comptroller General has warned us, we will face something we have never seen before, a demographic tidal wave that will dramatically increase the costs of Medicare and Social Security. We should be using these years to pay down debt to prepare for what we all know is to come.

Some have suggested that using the trust funds won't impact beneficiaries...that it's just an accounting issue...that it's just about "process" or "politics." I don't agree. Let's be clear – no one is suggesting that Social Security checks or Medicare benefits will be reduced this year or next, or even during President Bush's four year term. That's not the issue. The issue here, and the focus of all of our concern, is that the President's policies will make the choices in the future far more difficult – bigger benefit cuts, greater tax increases, or more debt. That's why this all matters.

Let me also add that I've been struck by the President's defense of his broken promise to not tap the Social Security Trust Fund. He is saying he meant to limit his promise so that it did not apply during times of war or recession. But the new CBO numbers show that he will be using the Social Security Trust Fund at a time when he forecasts strong economic growth. The Republican National Committee has now resorted to blaming Democrats for the lost surplus.

That is simply untrue. We're operating under a Republican-written spending plan, a Republican passed tax cut, and a weakening economy. Democrats have not added a single dime in spending over what was provided for in the Republican budget resolution. The most significant additional proposed spending comes from President Bush. He has requested \$18 billion more for defense next year, without providing any suggestions on how we should pay for it.

Let me conclude by offering one final thought. The Bush Administration remains in deep denial. Despite these new numbers from the Congressional Budget Office, this Administration still does not believe it has a problem. In fact, it seems to be pleased that its policies have caused the surplus to evaporate. It is time for the Administration to offer a new plan to avoid invading Social Security and Medicare trust funds to pay for other operations during periods when they forecast strong economic growth.